

## **WARNING**

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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2, 2018				

ECO501 – Economics for Managers	<b>DURATION</b>	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
<b>INSTRUCTIONS TO CANDIDATES</b>		
<b>Section A:</b> Suggested Time: 60 minutes	<b>Multiple Choice Questions:</b> Answer ALL 40 questions. Marks as indicated on paper (20 marks)	
<b>Section B:</b> Suggested Time: 80 minutes	<b>Short Answer Questions:</b> Answer ANY 4 questions out of 5 questions. Marks as indicated on paper (20 marks)	
<b>Section C:</b> Suggested Time: 40 minutes	<b>Short Essay Questions:</b> Answer ANY 1 out of 2 questions. Marks as indicated on paper (10 marks)	
<b>EXAM CONDITIONS</b>		
<u>You may begin writing from the commencement of the examination session.</u> The reading time indicated above is provided as a guide only.		
This is a CLOSED BOOK examination		
Any non-programmable calculator is permitted		
No handwritten notes are permitted		
No dictionaries are permitted		
<b>ADDITIONAL AUTHORISED MATERIALS</b>	<b>EXAMINATION MATERIALS TO BE SUPPLIED</b>	
No additional printed material is permitted	1 x 16 Page Book 1 x Scrap Paper	

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DOUBLE-SIDED.**

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## Section B

### Short Answer Questions

Total no. of marks for this section: 20

Answer **any four** out of five questions

This section should be answered in the Answer Booklet provided. Each question is worth five marks. Suggested time allocation for Section B: 80 minutes.

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#### **Question 1**

All other things being equal, explain the effect of each of the following situations on demand and/or supply of corn, using appropriate diagrams. Explain also what will be the effect on equilibrium price and quantity.

- a. corn is now considered by doctors to be the healthiest food
- b. there is a decline in the amount of land used to grow corn
- c. the price of peas, which is a substitute for corn, goes up
- d. corn is a normal good and incomes fall

**(Total: 5 marks)**

#### **Question 2**

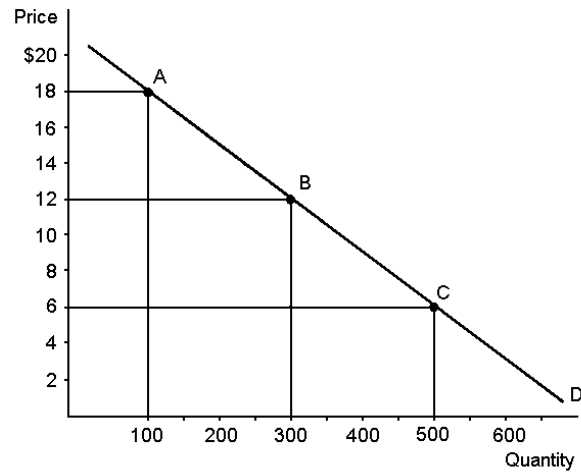
Growing numbers of motor cars in our metropolitan cities, such as Melbourne and Sydney, have led to increased traffic congestion. Using demand and supply diagram, suggest policies that can help reduce road congestion in these cities (hint: traffic congestion is associated with negative externality?).

**(Total: 5 marks)**

#### **Question 3**

Using the figure below and applying the midpoint method, compute the elasticity of demand between:

- (i) points A and B, and then discuss if this portion of the curve is elastic or inelastic? Interpret your answer about price and quantity demanded.
- (ii) Now compute the elasticity of demand between points B and C, and then discuss if this portion of the curve is elastic or inelastic?



**(Total: 5 marks)**

**Question 4**

In response to increasing signs of recession, suppose that the Chinese government increases its expenditure to tackle recessionary pressures on the economy. Using the concept of aggregate demand and aggregate supply, identify the curves that are affected by an increase in government expenditure and its effects of this on the economy. Clearly explain the new equilibrium in the diagram.

**(Total:5 marks)**

**Question 5**

Discuss, how is unemployment measured and, why is there always going to be some amount of unemployment in the economy? Also discuss, what problems arise in interpreting the unemployment data?

**(Total:5 marks)**

## Section C

### Essay Questions

Answer **any one** out of two questions

**Total No of Marks for this section: 10 marks**

This section should be answered in the Answer Booklet provided. Suggested time allocation for Section C: 40 minutes

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#### **Question 1**

At the end of the 1970s, the respective prices of fish dinners and lamb dinners in Sydney's fine dining restaurants were approximately the same. By 1983, following a period of drought, the price of a lamb dinner in fine-dining restaurants in Sydney was twenty percent higher than the price of a fish dinner at similar restaurants. Over the same period, the 'health industry' had been commending virtues of eating fish rather than red meat and increased fish consumption had resulted in a threat to the sustainability of fish species, especially important to the fine-dining restaurant trade. How should the government respond? Explain using appropriate diagrams.

**(Total:10 marks)**

#### **Question 2**

The structural weakness in the Greek economy caused by a decade long high budget deficit and high debt to-GDP led to a loss in investors' confidence on Greek's ability to meet its debt obligations since the outbreak of Euro Zone crises in 2009. The Greek economy is officially in a recession with high unemployment, high inflation and low economic growth. The level of debt in Greek is over 100% compared to Australia's net debt of about 13%. What advice would you give to the Greek government to boost their economy? Critically justify your answer.

**(Total:10 marks)**